

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC07-10

QUESTION:

LK7-10 Refer to the Company's response to GCCC04.24(e).

- a. Please provide the amount of the Company's "compensation" in 2008 and 2009 that comports with the definition found in Texas Code Section 171.10 13 for purposes of computing the Texas Margin Tax. Separate this amount into 1) "wages and cash compensation" and 2) "benefits." Further, separate these amounts into the amounts incurred directly by CEHE and the amounts assigned/allocated to CEHE from CenterPoint Services.
- b. Please indicate whether CenterPoint computed the Texas Margin Tax pursuant to option 2 on page 18 line 9 of Mr. Felsenthal's Direct Testimony on a consolidated basis for calendar years 2008 and 2009 to determine whether option 2 was the least cost option compared to options 1 and 3.
 - i. If so, then please provide the computation and the amount of CEHE "compensation" that was included in this computation.
 - ii. If not, then please provide the computation and the amount of CEHE "compensation" that would have been included in this computation.
- c. Please provide a copy of the Company's 2008 and 2009 Texas Margin Tax returns, all Supporting schedules and workpapers, including, but not limited to, alternative computations used to determine the lowest amount of tax on a consolidated basis.
- d. Please provide a copy of all intercompany tax agreements between CEHE and any and all other CenterPoint affiliates that set forth the computation and/or allocation of the Texas Margin Tax for each entity.
- e. Please provide a list of all CenterPoint affiliates that were combined in 2008 and 2009 for purposes of the Texas Margin Tax and considered to be "engaged in a unitary business," as that term was used in the Company's response and as that term is used in the statute.
- f. Please provide a list of all CenterPoint affiliates that were or will be combined in 2008 and 2009 for purposes of the consolidated federal income tax return. To the extent that there are any differences between the list of affiliates that are combined for purposes of the Texas Margin Tax compared to the affiliates that are consolidated for the consolidated federal income tax return, please explain the reason(s) for each such difference.
- g. Please identify and describe the "unitary business" in which CEHE and other CenterPoint affiliates are engaged. In addition, please provide all support for the Company's determination that CEHE cannot file a standalone separate Texas Margin Tax return pursuant to this or any other statutory requirement.
- h. Please indicate whether CEHE can elect out of the combined return for the Texas Margin Tax. If the

response is "no," then please provide all statutory and all other support for this position, including a copy of any and all analyses that addresses this issue.

- i. Please confirm that CEHE has no cost of goods sold for purposes of the computation of the Texas Margin Tax. If this is not the case, then please provide the cost of goods sold amount by FERC account for 2008 and the test year.
- j. Please confirm that the statutory limitation that the margin of the combined group may not exceed 70% of the combined group's total revenue did not apply in 2008 or 2009 in the computation of the Texas Margin Tax.
- k. Please provide the CEHE revenues used in the computation of the 2008 and 2009 margin tax expense.

ANSWER:

- a. See response and related attachments to (c) below for information related to the Company's compensation and benefits used in the computation of the unitary group's 2008 and 2009 Texas Margin Tax liability. An estimate of the compensation and benefits amounts which were assigned/allocated to CEHE from CenterPoint Services and were included in the computation of the unitary group's 2008 and 2009 Texas Margin Tax liability can be determined from reviewing Schedule V-K-12, Bates No. 4441 through 4445, and related workpapers, Bates No. 6548 through 6631.
- b. See response and related attachments to (c) below.
- c. See response to PUC 4-1 for a copy of CenterPoint Energy, Inc. and Subsidiaries' 2009 Texas Margin Tax return. A copy of CenterPoint Energy, Inc. and Subsidiaries' 2008 Texas Margin Tax return along with supporting schedules and workpapers are attached. A copy of supporting schedules and workpapers related to the 2009 Texas Margin Tax return is also attached.
- d. The allocation of the Texas Margin Tax has been accomplished by following the general principles and guidelines of the Intercompany Tax Policy provided in Schedule II-E-3.6, Bates No. 3945.
- e. See attachments to (c) above.
- f. See 2008 and 2009 Federal Forms 851 attached. The differences between the includable members in the 2009 Texas Margin Tax return and the 2008 consolidated federal return are attached. The 2010 Texas Margin Tax return has not yet been filed but a listing of includible members has been attached. The differences between the includable members in the 2010 Texas Margin Tax return and the 2009 consolidated federal return are attached.
- g. The "unitary business" in which CEHE and other CenterPoint affiliates are engaged can be located in CenterPoint Energy, Inc.'s Form 10-K which is publically available at www.sec.gov or www.centerpointenergy.com. The support for the determination that CEHE cannot file a standalone separate Texas Margin Tax return can be located in the aforementioned Form 10-K and the relevant Texas Tax Code provisions including, but not limited to, Sections 171.1014 and 171.0001.
- h. The Company cannot elect out of a combined return for the Texas Margin Tax. See Texas Tax Code Section 171.1014. Because of the clarity of the preceding cited statute, the Company has neither performed nor requested a third party to perform an analysis that addresses this issue. Also, see response to (g) above.
- i. See attachments to (c) above.

- j. See attachments to (c) above.
- k. See responses and related attachments to PUC 4-1 and PUC 4-4 for information related to CEHE's revenues used in the computation of the 2008 and 2009 margin tax expense. Additionally, see attachments to (c) above.

The documents as indexed below are voluminous and some are confidential will be made available in the Houston and Austin offices. To make arrangements for viewing these documents (the confidential documents pursuant to the protective order in this docket), please contact Linda Johnston in Houston at (713) 207-5218 or Dolores Prince in Austin at (512) 397-3060.

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Sponsor: Alan Felsenthal / Walter Fitzgerald(Accounting)

Responsive Documents:
See index above.

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC02-01**

QUESTION:

JM-2-1 Provide a copy of all work papers, including electronic files, used to develop the recommended average service lives, survivor curves, net salvage ratios, and annual depreciation accrual rates proposed by the company.

ANSWER:

An electronic copy has been previously provided as part of the Company's Rate Filing Package. The requested information can be found on the CD under the file directory "Alliance Depn Study WP", produced as part of Mr. Watson's workpapers accompanying the Company's Rate Filing Package. All folders accompanying Mr. Watson's workpapers are responsive to this request.

The following folders in Mr. Watson's workpapers provide the following information:

Accrual Rate - Computations of proposed accrual rate in Excel format

Actuarial Analysis - Actuarial graphs, observed life table, and statistical rankings for accounts 390-398
Output bmp format or pdf format

Appendices - All Appendices of depreciation study in Excel format

Approved Parameters - Existing Depreciation Lives and net salvage

Average - Computation of average age of survivors and retirements for accounts which have vintaged data

Data Set - Actuarial data set and SPR data sets

HW 364 and 365 - Handy Whitman replacement cost for accounts 364 and 365

Interview Notes - Mr. Watson's notes from interviews with Company personnel

Net Salvage - Net salvage analysis with multi-year bands in Excel format

Other cases - Results proposed in other CNP cases

Quotes from authoritative references - Copies of citations in Mr. Watson's testimony and depreciation

study

Retirement Unit Data - Detail by property account and retirement unit in Excel format

SPR Plots - Plots of graphs analyzed in selecting parameters for unaged accounts comparing actual vs simulated balance in Excel format

SPR Runs - SPR balance runs of Power Plan software Output in pdf format

Stripped Rates - Computations for accrual rates without negative net salvage in Excel format

Vintaged balances - Adjustments to vintaged balances to correct negative amounts in Excel format

Watson Appearances - Summary of Watson testimony appearances in Word format

Sponsor: Dane Watson

Responsive Documents:
None



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8 September 2010

Via e-mail

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Re: *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates; PUC Docket No. 38339; SOAH Docket No. 473-10-5001*

Dear Counsel:

At the request of the City of Houston, the Company has agreed to make the following witnesses available for a technical conference tomorrow afternoon for

clarification of certain discovery responses: Karen Dominguez, Marc Kilbride, Ken Murphy, and Matthew Troxle.

The technical conference will be held in our offices, at 1111 Louisiana, Houston TX 77002, in conference room 4624, from 1:30pm-3pm tomorrow, September 9. For those unable to attend in person, the following conference bridges have been established:

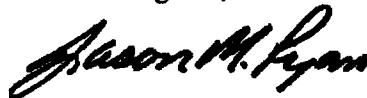
Call in numbers: 713.207.5103
888.430.5103

Passcode: 091009

Please note that by agreeing to this discovery on its direct case after the deadline set by the administrative law judges, the Company is not waiving its right to object to additional direct case discovery requests after the deadline.

If you have any questions, please feel free to contact me.

Regards,



Jason M. Ryan

cc: Ann Coffin
Parsley Coffin Renner LLP

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding, by facsimile, hand delivery, e-mail, or United States first class mail on this 5th day of October, 2010.

Linda A Johnston